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CENTRAL INTELLIGENCE GROUP  
INTELLIGENCE REPORT

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COUNTRY China

DATE: 25X1A

SUBJECT Economic Information: Trade with Surrounding  
Communist Areas, Peiping

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SUPPLEMENT

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letter of 16 October 1978 from the  
Director of the CIA to the

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1. Trading excursions into Communist-occupied territory near Peiping can be arranged by payment of CNC \$4,000,000 to someone in the Peiping office of the Paoting garrison. \$1,000,000 of this sum is for the use of a truck and for payment of the military officer who accompanies the trader to the front line; \$1,000,000 pays for passing through the gate of the Peiping city wall; the other \$2,000,000 buys a passport. Payment of the \$4,000,000 insures the trader's arrival at the front line and guarantees that he will not be searched upon his return. At the front line the trader unloads the truck and hires a horse cart to take him into the Communist area. As Paoting has been cut off, traders now go to Sunglingtien (115-55, 39-24) or to Chohsien (115-58, 39-30).

2. The articles most in demand by the Communists are:

one-half inch screws (for making hand grenades)  
mercury (for cooling heavy guns)  
blood vessel clamps, size 76, stainless steel, about one  
ounce in weight, four inches long  
quinine  
hydrochloric acid  
paper, tao lin (道林), 100 lbs. to the ream  
paper, tao lin (道林), 120 lbs. to the ream  
paper, mo tsao (模造), type B, 80 lbs. to the ream

The Mao Tsou (Mao Chou? Characters unknown) Trading Company, covering Shantung, Hopei, and Chahar, was organized by the Communists to buy the items in the above list, as well as other articles. The company will pay the trader in CNC notes, Communist currency (Chin-Cha-Chi notes, current rate: \$1 Communist equals CNC \$2), gold bars, rice, wheat flour, kaoliang, millet, or opium. Opium pays the trader the largest profit - 200%.

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NO CHANGE in Class.

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